Canadian Radio-television and Telecommunications Commission
Conseil de la radiodiffusion et des télécommunications canadiennes
Canada

News Release

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CRTC ALLOWS QUÉBEC-TÉLÉPHONE LOWER-THAN-REQUESTED LOCAL RATE INCREASES, APPROVES FURTHER LONG-DISTANCE RATE REDUCTIONS

OTTAWA/HULL -- The CRTC today approved part of the local service rate increases requested by Québec-Téléphone, as well as a provision for cuts in its long-distance rates (Telecom Decision CRTC 95-1). Today's decision follows a thorough review of Québec-Téléphone's 1995-1999 development plan, including a CRTC public hearing held in Rimouski this past October.

"The CRTC examined Québec-Téléphone's case very carefully through our open public process to ensure that local rate increases the company proposed were truly justified," said CRTC Chairman Keith Spicer. "Based on the evidence, we found that some increase was needed to allow Québec-Téléphone to maintain an acceptable quality of service for its customers while earning a fair return on investment. This will also allow the company to begin bringing the rates for local service more in line with the actual costs of providing it."

"The Commission, however, denied Québec-Téléphone's proposal to reduce its off-peak-hour long-distance discounts because, in effect, it would have amounted to an increase in basic long-distance rates and this would have affected primarily ordinary residential customers. Québec-Téléphone, on the other hand, will reduce its long-distance rates further so that they are at levels comparable to those of neighbouring telephone companies, such as Bell Canada," Mr. Spicer explained.

Revenues, expenses and rate of return

To assess Québec-Téléphone's request for local rate increases, the Commission examined the company's 1995-1999 development plan and its revenue and expense estimates for 1995. It also determined what would be a fair and reasonable range for Québec-Téléphone's rate of return on average common equity (ROE) for its regulated activities.

Highlights of today's decision include:

- The CRTC found that Québec-Téléphone's planned expenditures for various major programs in its 1995-1999 development plan are reasonable. The purpose of these projects is to provide and maintain network plant, modernize the company's telephone network, and provide new or improved services, among others. For future capital plan submissions, the Commission expects that the company will continue to choose the most cost-effective technology and that major expenditures will be justified by cost-benefit analysis or on a public interest basis.
- After the Commission's adjustments, Québec-Téléphone's 1995 operating expenses (excluding depreciation and taxes) were estimated at $104.2 million. This represents an increase of 0.14% over the 1994 estimate. The Commission adjusted the company's 1995 expense forecast downwards by $3.5 million.
- At existing rates, Québec-Téléphone's operating revenues in 1995 are expected to total $220.4 million. This represents an increase of 1.5% over 1994.

- Québec-Téléphone's ROE range for its regulated activities was established at 11.25% to 12.25% for 1995. This is the same range as that set for 1994 by the company's former regulator, La Régie des télécommunications du Québec. It is also consistent with recent CRTC decisions for other telecommunications carriers.
- The Commission concluded that Québec-Téléphone would require additional revenues of $3.7 million in 1995 to earn a return at the mid-point of its allowed ROE range, i.e. 11.8%. The company had requested revenue increases of $9 million.
- If Québec-Téléphone earns more than its regulated ROE range, it must credit any excess earnings to an accounting reserve. The company will require the Commission's approval in order to use funds from this reserve.

Rate changes

To allow Québec-Téléphone to generate the additional revenue it requires, the CRTC approved average increases in local service rates of 4.2% for residence customers and 6% for business customers, effective January 1, 1995. Previously, rates had been made interim, effective that date. The company had proposed an 11.2% increase for both residential and business customers. Other additional revenues will be generated from optional services.

In return, Québec-Téléphone has made an allowance of approximately $3.5 million for long-distance rate reductions in 1995. Of that amount, $1.7 million will be provided from the current balance of the accounting reserve.

The Commission denied a proposed increase of 11.6% in regional supplement rates, applicable in extended local calling areas.

Extended area service (EAS)

The Commission approved new EAS links between various exchanges, subject to the outcome, where required, of a subscriber vote.

With respect to EAS links involving the Sainte-Claire, Saint-Malachie and Murdochville municipalities, Québec-Téléphone must file, within three months, reports including cost estimates and payment options for establishing the proposed links. The Commission will then determine if it is reasonable for the company to establish these links and whether a subscriber vote is necessary.

With its head office in Rimouski, Québec-Téléphone serves approximately 550,000 people living in 309 municipalities in the Québec City area, the Lower St. Lawrence and Gaspésie regions, and on the North Shore.

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Copies of today's decision are available through the public examination room at any of the following CRTC offices:

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